

USAID/KOSOVO
ANNUAL REPORT FY 2002

March 2002

Please Note:

The attached RESULTS INFORMATION is from the FY 2002 Annual report, and was assembled and analyzed by the country or USAID operating unit identified on the cover page.

The Annual Report is a “pre-decisional” USAID document and does not reflect results stemming from formal USAID review(s) of this document.

Related document information can be obtained from:

USAID Development Experience Clearinghouse

1611 N. Kent Street, Suite 200

Arlington, VA 22209-2111

Telephone: 703/351-4006 Ext. 106

Fax: 703/351-4039

Email: docorder@dec.cdie.org

Internet: <http://www.dec.org>

Released on or after July 1, 2002

USAID Kosovo's 2001 Annual Report

USAID's three-year post conflict transitional strategy is rooted in the vision of a well-functioning, inclusive multi-ethnic society where an open and fair market economy coupled with an impartially administered system of justice offer opportunities for people to make informed choices and participate in their own social, political, and economic development. Across our portfolio of activities, we are assisting communities, individual citizens and political party leaders to prioritize their needs and encouraging all citizens to participate democratically, including through the electoral process, in making decisions that will better their standard of living. We are helping to build a strong broad-based civil society energized to support the democratic development of Kosovo. Finally, we are helping to build the institutions of self-government and institute the policies that will sustain the people of Kosovo and enable them to achieve peace and prosperity and to attain the autonomy promised them in the United Nations Security Council Resolution 1244.

Strategic Objective 1.3: Establishment of an Economic Policy and Institutional Framework that Facilitates the Recovery and Expansion of a Private Sector-Led Economy (167-013)

USAID has exceeded most of its targets for this year as underscored by the performance of the Kosovo economy and public sector revenue generations. USAID developed reforms in fiscal and monetary policy management, financial markets, commercial law, and privatization that have contributed to creating an environment where gross domestic product rose by 15% (vs. 7% target) and domestic revenues account for almost 80% (vs. 69% target) of Kosovo's Consolidated Budget (KCB) in 2001.

The success of this strategic objective is due to the aggressive development and introduction of economic reforms; a concentrated effort to institutionalize them; and a commitment to human capacity development in order to sustain them. These macro policy and institution building efforts were complemented by targeted private sector support. Technical and training assistance in business development, and access to a full range of financial intermediation services for SME's maximized their advantage in the improved macroeconomic and business regulatory environment.

Economic Governance and Private Sector Development

The Mission has made significant strides in building the capacity of Kosovar institutions to perform critical economic governance functions. With USAID's help, the Central Fiscal Authority (CFA) has developed competence in the areas of macroeconomic policy planning, budget, treasury, and taxation. A macroeconomic analysis unit has been staffed and trained with 10 local experts. This unit is undertaking important macro data gathering and analysis, producing information previously unavailable on macroeconomic performance and trends that is needed for sound policy decisions.

The CFA is implementing new budget control procedures at the central and regional levels, including a computerized treasury ledger system, to ensure transparency and accountability in public expenditure practices. In addition, USAID has supported development of systematic administrative directions guiding the public procurement process, along with a comprehensive set of forms and procedures designed to promote competitive and transparent procurement actions.

The USAID-supported design of a new system of intergovernmental finance has resulted in the formulation of systematic grant policies and procedures for CY 2002 which (1) are based on objectively-defined expenditure needs, (2) decentralize control over budget decisions to the local government level in key areas such as health and education, and (3) create strong incentives for local revenue enhancement. This has significant implications both for the efficiency of public expenditure planning and targeting, and for the responsiveness of the public sector to the needs and the expressed will of the citizenry at the local level.

During 2001 the CFA implemented a presumptive tax on business, a sales tax on service establishments, and a value-added tax. These reforms, along with the establishment of the Kosovar Tax Authority, which in 1999 did not exist and now has a trained staff of 340 employees, have resulted in domestic revenues accounting for almost 80% (compared to a target of 69%) of the Kosovo Consolidated Budget (KCB) in 2001. The introduction of wage and profit taxes will push the percentage 93% in 2002. Even with the introduction of new taxes, the tax burden on Kosovars will remain one of the lowest in the region.

USAID experts also helped develop a comprehensive pension regulation, which was promulgated at the end of 2001. The regulation provides for: a minimum pension benefit to all elderly citizens; a self-financing defined contribution system for current workers to protect the benefits of future retirees; and strong regulatory reporting and prudential management requirements for the defined contribution system and for voluntary pension schemes established by employers. USAID will support the implementation of the new pension system in 2002 through the development of regulatory oversight capacity and provision of technical and training support for payment processing and contribution collection and investment systems.

In the financial regulatory area, the Banking and Payments Authority (BPK) has, with extensive USAID technical and training support, developed and implemented comprehensive bank licensing and reporting and performance regulations. A fully functioning bank supervision unit, with 11 fully trained local staff, is operational (the unit has conducted 16 on-site inspections to date). Seven banking institutions (2 foreign banks – including the USAID-supported American Bank of Kosovo - and 5 local banks) are now licensed, and a total of 23 branches are operating. 430 million EURO have already been deposited in these institutions – a major accomplishment given that the banking system had to be developed from scratch and the public's distrust in the banking institutions of the past. In addition, 15 micro-finance institutions - including USAID's Kosovo Business Finance Fund and the FINCA Kosovo Microfinance program - are licensed and in operation. USAID continues to support the strengthening of BPK accounting procedures and the development of an electronic inter-bank clearing and settlement system. Pilot implementation of an electronic payment clearance system is slated for early 2002.

USAID-funded experts are supporting the development of rigorous financial reporting and performance requirements for the insurance sector and an effective prudential oversight system for insurance providers. A comprehensive insurance regulation has been approved and implemented and a full set of insurance rules is under development. A functioning insurance regulatory department was established in late summer 2001 with core staff recruited and trained through USAID support (8 inspections were conducted in 2001, one of which resulted in one insurance company being placed in receivership).

USAID has supported development of a set of legal and regulatory reforms crucial to the establishment of a viable and sustainable market economy. Core commercial law regulations governing company law, pledge, sales, foreign investment, and accounting have been adopted. The Mission will carry out a series of targeted training courses at the Law and Business Faculties of the University of Pristina; seminars for legal professionals and business people; a comprehensive accounting and audit training program through the newly established Society of Kosovar Accountants and Auditors (a professional association supported by both USAID and the World Bank), and a broader public education campaign to support the new legal framework over the next year.

Developing local expertise in the application of the new laws and gaining buy-in through public information and education is essential to promoting the sustainability of the reform process. USAID's focus in this area is reflected in its financial and technical support program for RIINVEST, the leading economic policy research and advocacy and business support NGO in Kosovo. USAID has worked with RIINVEST to build public and business community awareness of and support for reforms in a number of critical economic policy areas over the past year; including tax, pension, and privatization.

USAID's targeted private sector development programs have facilitated an effective private sector response to improved economic policy and institutional conditions. On a micro level, USAID has funded the establishment of village banks and micro-enterprise lending operations in the majority of Kosovo's municipalities and has made over \$5.9 million in loans to 1,558 clients (17 percent women). The program has negligible loan losses and covers 100% of its local operating costs through earnings. The Kosovo Business Support program (KBS) is stimulating employment through the provision of business advice and training to high-potential small and medium-sized enterprises (SMEs). Over 270 companies are actively benefiting from KBS business development services while more than 200 trainees among institutional partners and the general business community have participated in Training-of-Trainers programs. In mid-2001 the Mission launched the Kosovo Business Finance Fund (KBFF) to complement business planning support activities under the KBS program. The fund has already approved approximately \$3.6 million in SME loans to over 100 clients. The USAID-funded American Bank of Kosovo (ABK), established in November 2001, has already amassed 15 million EURO in deposits and will eventually take over the KBFF loan portfolio and become a self-financing provider of SME lending services.

USAID's support of private sector agriculture development contributed to the reestablishment of critical rural sector services, the rapid recovery of agricultural productivity and production to pre-conflict levels, and the re-employment of thousands of farmers through the provision of business advisory services, credit facilitation, technology dissemination and marketing services to private input dealers, poultry and feed producers, and wheat millers. It is estimated that because of increased production resulting from improved marketing and distribution of seed and fertilizer through a USAID created and supported association of retailers and wholesalers, economic gains of more than \$20 million were realized in 2001. USAID also helped create and is supporting an umbrella association of approximately 3,000 agricultural and rural enterprises, that has been created to serve as an advocacy vehicle and member-supported clearinghouse of information on markets, business management, and technologies.

Challenges and Changes

USAID has supported the development of regulations for the operation of the power, water, solid waste, and telecommunications sectors, which, if approved and implemented, would establish a regulatory enforcement system for improved operation of the major utilities. They would also provide strong incentives for private sector participation in the provision of vital infrastructure services. Unfortunately, UNMIK has shown a lack of political will to implement these regulatory measures. USAID is continuing to pressure UNMIK to make the necessary reforms by sustaining an intensive ongoing dialogue at the highest levels of UNMIK and by working closely with the Central Fiscal Authority to develop a set of financial and operational performance indicators, against which future budgetary disbursements to the energy utility will be made. In the absence of any real movement by UNMIK USAID will redirect its technical assistance efforts.

Fourteen socially-owned enterprises have been commercialized (i.e., leased to private investors), with another ten slated for completion over the next 2-3 months. Our target for 2001 was 30 enterprises commercialized/privatized. USAID support efforts in this area have been hampered by the UN's conservative interpretation of its mandate to administer public and socially-owned enterprises. To date USAID has focused its technical support on developing privatization proposals and a legal framework that would help define a practical and time-effective strategy and program to move ahead on privatization. USAID is soliciting support within UNMIK and with other donors involved to rapidly resolve the remaining policy issues on privatization, so that a meaningful privatization program can occur during 2002. While this dialogue proceeds, USAID has shifted its technical assistance from the privatization area to more intensive governance support in the fast-moving budget and tax reform and fiscal decentralization areas.

Strategic Objective 2.1: Accountable and Transparent Governance (167-021)

USAID met our targets for this SO. USAID's program contributed substantially to the long, difficult and yet unfinished process of building accountable and transparent governance in Kosovo. We developed and are piloting improved court administrative systems, provided training for judges and lawyers, and improved access to laws and regulations. By strengthening the sustainability of independent media and helping it to expand coverage to 90% of the population we have helped increase access to information, thereby contributing to a more informed citizenry. Our engagement of citizens in planning and decision-making processes has helped raise their awareness of their own responsibility for holding themselves and their leaders accountable. We also played a direct role in the participation, without fear or threats, of 2 million Kosovars on November 17, 2001, in the first free and fair province-wide election of a 120 member multi-ethnic/gender inclusive Assembly.

Elections and Political Parties

USAID's program played a important role in the success of the November election, the universal acceptance of its results, and forming of Kosovo's first provincial Assembly. USAID helped train and deploy over 1,800 non-partisan poll-watchers drawn from all communities and ethnic groups as well as different political parties. The press statements, parallel vote count and final report of these observers directly contributed to public acceptance of potentially controversial results. The Conference for New Members of the Assembly supported by USAID in collaboration with the OSCE was the first time 120 elected leaders from all political and ethnic groups sat and trained together.

After years of exclusion, Kosovar politics came to be based on personalities, opposition and armed struggle. USAID resources were used to develop party structures with the organizational ability to develop platforms, conduct campaigns and represent citizens through democratic internal practices before the election. While change in the parties has been slow, this program has led to greater participation by youth and women. Further, for the first time, the two largest parties produced and distributed party programs based on input from citizens at the local branch level. These two parties also developed and adhered to internal codes of conduct forbidding members from intimidating voters, which worked to mitigate violence and extremism.

USAID also organized women NGO leaders to advocate and gain inclusion of a gender requirement in the election rules, requiring 1 in 3 candidates on party lists to be women. A USAID-sponsored effort for Kosovars to assess the conduct of the municipal elections in 2000 and recommend changes to the O.S.C.E. resulted in reforms that made the November election orderly and well-administered. Finally, USAID-funded technical assistance provided to the province's 30 Municipal Election Commissions was instrumental in starting to build Kosovar capacity for independent election administration, accelerating the transfer of responsibility for election administration from the OSCE to Kosovars who will begin to take the lead in 2002.

The Judiciary

One of the most basic problems in Kosovo has been simple access to the law. This is particularly true of UNMIK Regulations, which are part of applicable law. While 1999 and 2000 Regulations have been published in the Official Gazette in English, Albanian, and Serbian, few of the forty-one 2001 Regulations have been made available in Serbian and Albanian and none have been published in the Official Gazette. One of USAID's most effective accomplishments this year has been the publication of a quarterly Index in English, Serbian, and Albanian, of UNMIK regulations and the provision of the index to all members of the legal community. In the absence of official translations of regulations, the Index has proven an invaluable and greatly appreciated tool for legal professionals who otherwise might not even know of the existence of new regulations that serve as the law, let alone have any knowledge of their contents.

By the end of 2001, USAID finished an extensive development process for court administration, which relied heavily on Kosovar input in drafting new systems for personnel, budgeting, accounting, procurement and case tracking. These new systems, which are badly needed to improve the efficiency and effectiveness of the judicial system and position the courts to take

more control over their own affairs, are undergoing pilot testing now and will be rolled out and fully implemented Kosovo-wide by the end of the 2002.

Training of legal professionals has been a major focus of the USAID program. There are about 330 judges and only 60 prosecutors and 186 licensed attorneys in Kosovo, nearly all of whom are 10 years removed from having practiced in their professions. Working with the Kosovo Judicial Institute and the UNMIK Department of Justice and the newly formed Judges Association and Chamber of Advocates, USAID has helped improve the skills of all legal professionals, as well as increase the pool of bar qualified lawyers. USAID assisted in setting up the first bar exam in 12 years and in providing refresher training to exam takers. We expect that the exam will be administered to at least 70 candidates every two months. Roughly 1,000 law graduates are currently waiting to take the exam.

Media

USAID created the Kosovo Terrestrial Telecommunication Network (KTTN), enabling TV coverage to 80% and radio coverage to 90% of the province. To ensure the independence of KTTN from any political or other eventual government influence, it was registered as a non-governmental organization established by the four province-wide license holders of radio and TV stations. Currently KTTN is covering 25% of its operational costs through revenues from renting the space on its towers to commercial users. USAID is continuing to provide technical assistance to the KTTN Board and its management to ensure its financial self-sustainability.

RTV 21 and Kohavision, the private television stations established with USAID funding in September 2000, have developed significantly during the past year. Both stations are broadcasting more than 18 hours daily, representing solid competition for Radio Television of Kosovo (RTK), the public broadcaster. According to the OSCE media monitoring unit, KTV provided the best coverage of the November election campaign. Both RTV 21 and KTV have become 50% financially self-sustainable. The USAID program is having a similar impact on local radio stations. According to a media audience survey co-funded between USAID and DFID, the USAID funded and assisted local radio stations are the most popular radio stations in the province. The popularity and success of the independents is in large part attributable to USAID's successful technical assistance and training efforts, aimed at improving the journalistic content and quality of their products as well as their operational and business skills.

KosovaLive, created in calendar year 2000 with USAID funding, is the only independent news agency in Kosovo. During the month of November 2001 it received more than two million hits on its website. Many local media outlets take stories straight from KosovaLive, reprinting and rebroadcasting them verbatim. USAID continues to provide in-house training and technical assistance to KosovaLive and is helping them make the transition from a free service to a paid one.

Civil Society

After years of disenfranchisement, most Kosovars do not have high expectations for their government. Nevertheless, we believe that we are making significant inroads in engaging people in their new democracy. In 2001 128 civic forum groups around the province engaged thousands of citizens in issues-based dialogue, working together to better understand and influence their government and the laws that control their lives. Individuals have come together to build consensus for change and then pursued their plans for achieving their aims. Thousands of other citizens outside of the civic forum groups have been engaged through other USAID programs to identify community needs and to pursue common economic and social interests.

Understanding that exclusion and mistrust are primary sources of conflict, every effort is being made to ensure that our programs are inclusive and work to build trust. USAID is also making a special effort to include women, particularly in the political and economic arenas where they have been traditionally disadvantaged. Modest success has been achieved in improving women's access to credit over the course of the year. More promising though is an initiative that took

place at the end of the year where over forty women, including NGO leaders, businesswomen, and political party leaders, came together and drew up an action plan to increase women's inclusion in the economy. While it is too early to measure the action plan's impact, there has been enthusiastic follow-up.

USAID has also helped create a number of business, legal, and media associations. USAID's newest activity, the Kosovo NGO Advocacy Program (KNAP), started only a few months ago. The new program will work to build the organizational capacity and skills of indigenous non-governmental organizations to make them more effective agents for change.

Challenges and Changes:

A number of issues and circumstances are causing us to reevaluate and to consider shifting resources and emphasis under this objective. First and foremost is the election of the Assembly. Whereas in the past year, much energy has been spent in improving political party organizational structure, more of our effort will be devoted to helping the Assembly function effectively. Political leaders and Assembly members must now play a role in promoting reconciliation and the construction of democratic institutions in Kosovo, which hinges on their ability to form a government. USAID will increasingly use its political party program to encourage transparency and accountability of the Assembly and Executive Branch, and respect for rules of procedure in keeping with parliamentary systems of government, and inclusivity and responsiveness to constituencies.

In the development of independent media the Mission is working on two fronts: airtime and advertising. Broadcast media is a victim of regular and extended outages of electricity. Because of the unpredictability of airtime, television stations are finding it increasingly difficult to find advertisers, thereby jeopardizing their sustainability. While some shaking out of the media sector would be beneficial, it cannot be controlled and some good stations may be lost. At the same time the playing field is not level for independent television. By a ratio of almost 8 to 1, donors are out-contributing resources to public television over the independents. In addition, there are plans to subsidize public TV through fees on electric bills while allowing it also to compete against the independents for advertising revenues. This is an important area of policy dialogue for the Mission. An unfair market advantage for public TV may cause USAID to reevaluate to what extent it should continue to support independent media outlets.

Finally, long-term planning by UNMIK has been weak, especially in setting benchmarks for transfer of authorities to Kosovar control. The lack of long-term planning creates confusion about current roles and responsibilities across the judicial, legislative and executive branches. USAID, with the backing of the USOP, has recently reached agreement to work together on a long-term plan. As the first step, USAID will gather Kosovar inputs on appropriate final structure for Kosovo's justice system. USAID is also working with the OSCE to clarify the roles and responsibilities of the Executive and Legislative branches in the legislative process with respect to UNMIK.

Strategic Objective 3.1 – Restored Normalcy in Living Standards & Opportunities (167-031)

USAID is meeting its targets in helping Kosovars "return to normalcy" through: repaired infrastructure, improved quality of and access to basic services, increased employment opportunities and job creation, response to stated community priorities, and creation of an environment for pluralistic decision making and advocacy. While improving the lives of Kosovars in a very tangible way (often with bricks and mortar), the activities under this objective are also designed to complement and take advantage of the changing economic and political environment being created under our democracy and economic objectives.

CISP and NGO Development Interventions

Our Community Infrastructure and Services Program (CISP) is helping with the rehabilitation of infrastructure that was either destroyed during the war or in total disrepair as the result of years of

neglect and dis-investment. Rehabilitation projects have been prioritized by communities, contribute to the reestablishment of the necessary conditions for normalcy, and promote economic and/or social development.

Community participation and “buy-in” to the infrastructure projects and commitments for ongoing maintenance and operations are mandatory. Also, because all projects carry the requirement to develop “business plans”, an exercise that compels the community to consider management, budget, customer service, cost recovery issues, and the steps necessary to balance them, the program helps develop administrative and managerial skills in communities, municipalities, and distribution utilities to help Kosovars effectively exercise the objectives of self-determination and self-reliance.

The rehabilitation activities are implemented through competitively selected local contractors, providing both temporary and permanent local employment opportunities. Projects completed include: electricity and water distribution system upgrades, feeder roads, bridges, schools, health facilities, and to a lesser extent, community centers, libraries, and sports facilities. The rehabilitation efforts result in tangible improvements in levels of service for the communities and to restored conditions for normalcy.

To date, 132 projects have been completed, serving the priority needs of over 700,000 people, whose benefits ranged from improved: electricity voltage; water availability; educational and health facilities; and market access. The average cost per project is \$42,500. 55 projects have been completed in ethnic enclaves or mixed communities. An additional 82 projects are under construction or in the planning stages for implementation in calendar year 2002.

The effective provision of public utilities, primarily electricity and water distribution services, is widely recognized as the sine qua non of “normalcy” in the province. Yet, the viability of utilities is seriously constrained by uncontrolled technical and commercial losses; poor billing and collection rates; limited financing capacity to rehabilitate, maintain or expand service delivery; and weak managerial and administrative capacity. Over the past year, the CISP program has initiated a broad-based institutional strengthening effort for these utilities. To date, targeted training has been delivered to 84 water utility and 173 electric distribution utility managers in the areas of supervisory skills, management planning, accounting, financial management, and customer service. Additional courses in accounting, billing and collection procedures, and meter reading have been provided to non-managerial staff. 15 municipal water distribution utilities and all 7 electric distribution utility companies now have core management and technical staff with enhanced knowledge and skills in the operational and financial management aspects of utility management.

USAID has supported accounting reforms in the electric distribution utilities to appropriately account for levels of service, customer invoicing and receivables, cash collections and customer debt, and to put in place controls to eliminate abuses in cash receipts. It also has supported an intensive effort to reconstruct customer databases in order to enable financial staff and management to properly track individual and collective levels of service, receivables, customer debt, and revenues.

While the full impact of the reforms and institutional strengthening measures has yet to be realized, revenues of the electric utilities increased from approximately \$20 million in calendar year 2000 to over \$45 million in the first 11 months of 2001. This impact, clearly the most significant impact brought about by the CISP program in 2001, will be deepened in 2002. The focus in the coming year will be on identifying and significantly reducing commercial losses by improving the billing rates (bills issued on distributed energy were only a mere 55 percent in 2001), and continuing collection improvements (collections against billed energy increased from 36 percent in 2000 to 51 percent in 2001).

The accounting reforms and databases will be automated in all electric distribution utilities in calendar year 2002. This automation will contribute to reduced commercial losses, improved collection rates, and improved financial viability of the utilities. It will enable the utilities themselves to assume the appropriate responsibilities for infrastructure rehabilitation, maintenance, and expansion in the future.

Under an umbrella grant mechanism, 13 non-governmental organizations undertook activities targeting the social and economic recovery needs of selected communities in Kosovo. Unlike many other donor NGO programs, which provide substantial transfers of goods and services, USAID's programs place maximum emphasis on organizing communities to take control of and investing in their own futures. Hundreds of community groups have been formed under this initiative, which has engaged municipal, UNMIK and local leaders to solve their most pressing social, health and economic problems. These grassroots initiatives have directly benefited 694 civil groups and institutions and the lives of more than 59,000 people (almost an equal split between males and females and a 70/30 split between majority and minority ethnic groups) in its areas of operation. 346 permanent full time or full-time equivalent jobs were created, 4,000 farmers have improved capacity for increased agricultural production, and over 15,500 children and youth were engaged in constructive activities, which developed skills, self esteem and restored a sense of normalcy to their lives. Equally important in this ethnically torn region, this people-focused program encouraged 324 multi-ethnic exchanges in 2001, the majority of them through community group activities, training opportunities, and special events aimed at reducing conflict and tension.

With funding from the umbrella grant, USAID has also helped a local NGO establish an Institute of Information Technology in Kosovo. The funding covered equipment purchases, training of two staff at the Noroff Institute in Norway, and made possible the award of 20 information technology scholarships to public and private sector personnel. The scholarship program supports recipients' participation in the Cisco Networking Academy Program, which builds skills needed for design, implementation and maintenance of small and medium size computer networks. This initiative is increasing the information technology capacity of Kosovar civil society and public institutions and assisting them to improve their information management, and the services they provide through their respective organizations.

A separate NGO program, initially funded as a humanitarian initiative, and later brought under the return to normalcy objective, focuses on side-by-side training by leading U.S. physicians and midwives. The program provided modest amounts of neonatal care equipment to health houses and hospitals, trained 130 midwives throughout the region, developed a labor and delivery database for all of the regional hospitals, and opened 18 health care information centers located in family health clinics and the regional hospitals. Since their opening in October 2001 more than 11,000 visits have been made, and two of the information centers have expanded to become antenatal clinics, which combine clinical practice with health information.

The combination of medical training with leading American neonatologists and OB/GYN physicians, provision of life-saving equipment, and education outreach contributed to a significant fall in the perinatal mortality rate in our two targeted hospitals. Pristina Hospital's neonatal mortality rate fell from 53 per 1,000 live births in 1998 to 29 per 1,000 live births in 2000 (figures not yet available for 2001). In Gjilan Hospital the perinatal mortality rate fell from 32.81 per 1000 live births in 2000 to 23.97 per 1000 live births in 2001. The Prizren Hospital, which has the highest per capita birth rate of any hospital in Kosovo, witnessed a decline in the perinatal mortality rate from 21.94 per 1,000 live births in 2000 to 12.5 per 1,000 live births in 2001. These represent an average decline in perinatal mortality rate in 2001 of 34.98 % in two of the targeted hospitals. The three hospitals together attend to 53 percent of the births in Kosovo.

Challenges and Changes

As originally conceived by USAID, CISP expected to focus heavily on rehabilitating community level electricity distribution systems. However, a lack of cooperation from the regional utilities

concerning access and commitment to maintain, as well as a lack of planning on their part, forced USAID to shift resources to areas where we could build on strong community commitment. USAID also adjusted its plans as a result of a serious recent setback resulting from a decision by UNMIK not to privatize or bring in new management with authority to make significant operational changes to the Kosovo Electric Company (KEK). While we are having an impact in improving the basic management systems that will lead to improved service sustainability, we do not see the same long term opportunity to improve the sector and consequently will substantially withdraw from the sector after current commitments are met. Resources that would have gone to improving utility services will now be targeted to improving other basic infrastructure needs in communities throughout the province.

The focus of the USAID umbrella program has also shifted in the past year. With many organizations implementing programs focused on improving the environment for economic development, we recognized gaps in provision of assistance in the social sector where we felt partner NGOs would have a particular competitive advantage. So while early programs under the umbrella grant focused on improving economic conditions, current and future efforts will be directed towards dealing with serious social problems, e.g., HIV/AIDS, trafficking, and the quality of life of the handicapped. These new initiatives, however, will follow the operational modus operandi of predecessor activities, i.e., emphasizing local ownership and building local capacity.

Strategic Objective 4.1 - Special Initiatives (167-041)

USAID took on two special initiatives in 2001 in response to Congressional interest. The first received funding at the end of FY 2001 and is being implemented by the National Albanian American Council (NAAC). This initiative aims to foster leadership skills of 60 women drawn from across all sectors of society who have demonstrated leadership potential and are currently working as managers within their profession. The program works in alliance with the public, private, and non-profit sectors in Washington D.C., which provide practical training experience tailored to the specific needs of each of the participants. Alliance partners provide each participant in the program with on-the-job training, networking opportunities, and mentoring valued at roughly \$2,000 per participant. Also, as part of the program and in order to broaden the experience of the participants, NAAC arranges briefings and meetings with Congressional representatives and staffers. The second group of participants headed to the United States in January 2002.

The second initiative, which also received initial funding at the end of the fiscal year, establishes a partnership between Dartmouth University, and the Department of Health and Social Welfare and the Gjilan/Gnjilane Hospital under the Agency's American International Health Alliance program. The hospital chosen for partnering also carries with it the added benefit of being in the US KFOR sector. The goal of the partnership is to create a center of excellence in the provision of primary health care. Targets are under development.

A third activity provided \$10 million of budget support for the Kosovo Consolidated Budget as part of the U.S. contribution to financing the Kosovo budget deficit. Due to the success of the USAID program in designing and implementing a tax regime and supporting administrative structure, along with a system of fiscal management that encourages restraint in spending, the local economy will generate sufficient revenues to meet operating budget needs of Kosovo in 2003, and budget support will no longer be required.

Finally, USAID is supporting a modest two-year \$200,000 program that is enabling the Department of Health and Social Welfare and the Kosovo Institute of Public Health to manage the implementation of the Kosovo Tuberculosis (TB) Control Strategy and action plan. The plan hopes to guarantee access to diagnosis and treatment of all persons living in Kosovo, and achieve a 70% detection rate of new cases and a cure rate of 85% by 2004.

Strategic Objective 4.2 - Special Initiatives (167-042)

All funds provided under this objective were used to provide program support and technical expertise, which enabled the Mission to monitor and evaluate program implementation and to carry out assessments of current activities. Performance results achieved under this objective are reflected throughout the portfolio.

Table 1: Annual Report Selected Performance Measures

KOSOVO

Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
Pillar I: Global Development Alliance: GDA serves as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporate America and non-governmental organizations in support of shared objectives						
1	Did your operating unit achieve a significant result working in alliance with the private sector or NGOs? (SO 4.1)	Yes	No	N/A X		
2	a. How many alliances did you implement in 2001? (list partners) (SO 4.1)	10				Arlington County Dept. of Public Health; The Empower Program; Center for Policy Arternative; League of Women Voters; NDI; PEPCO; KTRL Associates, Inc; UNIC; World Learning
	b. How many alliances do you plan to implement in FY 2002? (SO 4.1)	51				AIHA / Dartmouth University. Arlington Community Temp Shelter; Alexandria Shelter for Domestic Violence; National Capital YWCA; Council for Adv of Small Business; EPA; GWU Dept of Anthropology; International Reading Association; Montgomery Co. Dept. of Parent and Community Partners; Sidwell Friends School; World Council on Credit Unions; + 39 others
3	What amount of funds has been leveraged by the alliances in relationship to USAID's contribution? (SO 4.1)	\$100,000				Over the life of the activity
Pillar II: Economic Growth, Agriculture and Trade: USAID works to improve country economic performance using five approaches: (1) liberalizing markets, (2) improving agriculture, (3) supporting microenterprise, (4) ensuring primary education, and (5) protecting the environment and improving energy efficiency.						
4	If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets? (SO 1.3)	Exceed	Met X	Not Met		
USAID Objective 1: Critical, private markets expanded and strengthened						
5	Did your program achieve a significant result in the past year that is likely to contribute to this objective? (SO 1.3)	Yes X	No	N/A		
USAID Objective 2: More rapid and enhanced agricultural development and food security encouraged						
6	Did your program achieve a significant result in the past year that is likely to contribute to this objective? (SO 1.3)	Yes X	No	N/A		
USAID Objective 3: Access to economic opportunity for the rural and urban poor expanded and made more equitable						
7	Did your program achieve a significant result in the past year that is likely to contribute to this objective? (SO 1.3)	Yes X	No	N/A		

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
USAID Objective 4: Access to quality basic education for under-served populations, especially for girls and women, expanded					
8 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No X	N/A		
9 a. Number of children enrolled in primary schools affected by USAID basic education programs (2001 actual) b. Number of children enrolled in primary schools affected by USAID basic education programs (2002 target)	Male	Female	Total		
USAID Objective 5: World's environment protected					
10 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No X	N/A		
11 a. Hectares under Approved Management Plans (2001 actual) b. Hectares under Approved Management Plans (2002 target)					
Pillar III: Global Health: USAID works to: (1) stabilize population, (2) improve child health, (3) improve maternal health, (4) address the HIV/AIDS epidemic, and (5) reduce the threat of other infectious diseases.					
12 If you have a Strategic Objective or Objectives linked to the Global Health pillar, did it/they exceed, meet, or not meet its/their targets?	Exceed	Met X	Not Met		
USAID Objective 1: Reducing the number of unintended pregnancies					
13 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No X	N/A		
USAID Objective 2: Reducing infant and child mortality					
14 Did your program achieve a significant result in the past year that is likely to contribute to this objective? (SO 3.1)	Yes X	No	N/A		Labor and delivery data base for Pristina, Prizren and Gjilan Hospitals.

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
USAID Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth					
15 Did your program achieve a significant result in the past year that is likely to contribute to this objective? (SO 3.1)	Yes X	No	N/A		Labor and delivery data base for Pristina, Prizren and Gjilan Hospitals.
USAID Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries					
16 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No X	N/A		
USAID Objective 5: Reducing the threat of infectious diseases of major public health importance					
17 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No X	N/A		
Pillar IV: Democracy, Conflict and Humanitarian Assistance					
18 If you have a Strategic Objective or Objectives linked to the Democracy, Conflict and Humanitarian Assistance Pillar, did it/they exceed, meet, or not meet its/their targets? (SO 2.1)	Exceed	Met X	Not Met		
USAID Objective 1: Rule of law and respect for human rights of women as well as men strengthened					
19 Did your program achieve a significant result in the past year that is likely to contribute to this objective? (SO 2.1)	Yes X	No	N/A		
USAID Objective 2: Credible and competitive political processes encouraged					
20 Did your program achieve a significant result in the past year that is likely to contribute to this objective? (SO 2.1)	Yes X	No	N/A		
USAID Objective 3: The development of politically active civil society promoted					
21 Did your program achieve a significant result in the past year that is likely to contribute to this objective? (SO 2.1)	Yes X	No	N/A		
USAID Objective 4: More transparent and accountable government institutions encouraged					

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
22 Did your program achieve a significant result in the past year that is likely to contribute to this objective? (SO 2.1)	Yes X	No	N/A		
USAID Objective 5: Conflict					
23 Did your program in a pre-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No X	N/A		
24 Did your program in a post-conflict situation achieve a significant result in the past year that is likely to contribute to this objective? (SO 2.1)	Yes X	No	N/A		
25 Number of refugees and internally displaced persons assisted by USAID	Male	Female	Total		
USAID Objective 6: Humanitarian assistance following natural or other disasters					
26 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No X	N/A		
27 Number of beneficiaries					

Table 2: Selected Performance Measures for Other Reporting Purposes

The information in this table will be used to provide data for standard USAID reporting requirements

KOSOVO

Indicator (all data should pertain to FY or CY 01)		OU Response		Fund Account	Data Quality Factors
Child Survival Report					
Global Health Objective 1: Reducing the number of unintended pregnancies					
1	Percentage of in-union women age 15-49 using, or whose partner is using, a modern method of contraception at the time of the survey. (DHS/RHS)				
Global Health Objective 2: Reducing infant and child mortality					
2	Percentage of children age 12 months or less who have received their third dose of DPT (DHS/RHS)	Male	Female	Total 87%	Source: Institute of Public Health
3	Percentage of children age 6-59 months who had a case of diarrhea in the last two weeks and received ORT (DHS/RHS)	Male	Female	Total 0.17%	Source: Institute of Public Health
4	Percentage of children age 6-59 months receiving a vitamin A supplement during the last six months (DHS/RHS)	Male	Female	Total	
5	Were there any confirmed cases of wild-strain polio transmission in your country?	26 cases			Cases were reported in 1996 (Prizren Region), Source: Institute of Public Health
Global Health Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth					
6	Percentage of births attended by medically-trained personnel (DHS/RHS)	83%			Source: Institute of Public Health (UNFPA)
Global Health Objective 5: Reducing the threat of infectious diseases of major public health importance					
7	a. Number of insecticide impregnated bed-nets sold (Malaria) (2001 actual) b. Number of insecticide impregnated bed-nets sold (Malaria) (2002 target)				
8	a. Proportion of districts implementing the DOTS Tuberculosis strategy (2001 actual)	93%			Policy calls for 100% coverage. However, WHO/UNMIK is unable to implement policy in 7% of Kosovo because of control issues.

b. Proportion of districts implementing the DOTS Tuberculosis strategy (2002 target)	93%		Policy calls for 100% coverage. However, WHO/UNMIK is unable to implement policy in 7% of Kosovo because of control issues.
HIV/AIDS Report			
Global Health Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries			
9 a. Total condom sales (2001 actual) b. Total condom sales (2002 target)			
10 a. Number of individuals treated in STI programs (2001 actual) b. Number of individuals treated in STI programs (2002 target)	Male	Female	Total
11 a. Is your operating unit supporting an MTCT program? (2001 actual) b. Is your operating unit supporting an MTCT program? (2002 target)			
12 a. Number of individuals reached by community and home based care programs (2001 actual) b. Number of individuals reached by community and home based care programs (2002 target)	Male	Female	Total
13 a. Number of orphans and vulnerable children reached (2001 actual) b. Number of orphans and vulnerable children reached (2002 target)	Male	Female	Total
14 a. Number of individuals reached by antiretroviral (ARV) treatment programs (2001 actual) b. Number of individuals reached by antiretroviral (ARV) treatment programs (2002 target)	Male	Female	Total

Victims of Torture Report					
Democracy, Conflict, and Humanitarian Assistance Objective 7: Providing support to victims of torture					
15	Did you provide support to torture survivors this year, even as part of a larger effort?				
16	Number of beneficiaries (adults age 15 and over)	Male	Female	Total	
17	Number of beneficiaries (children under age 15)	Male	Female	Total	

Global Climate Change			
USAID Objective 5: World's environment protected			
18	Global Climate Change: See GCC Appendix		

USAID Kosovo Annual Report: Environmental Compliance

Schedule of Anticipated Initial Environmental Examinations (IEE) or Environmental Assessments (EA):

Part I

USAID Kosovo is planning two IEEs during FY 02:

- 1) IFDC program will prepare an IEE for 200 demonstration plots scheduled for 3rd quarter FY 02
- 2) New Agriculture Program under development IEE scheduled for 4th quarter FY 02

Part II

All Strategic Objectives and related activities are in compliance with their approved Initial Environmental Examinations and Categorical Exclusions.